MASSACHUSETTS DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

Fiscal Year 2011 Legislative Report

(Revised February 2012)

Submitted to:

The Joint Committee on Telecommunications, Utilities, and Energy

Massachusetts General Court

February 2012

Table of Contents

Executive Summary with Recommended Supplemental Funding Levels, Forward Funding and Sources

Forecast and FY 2012 Outlook

LIHEAP Service Delivery Network

Program Priorities

Program Year 2010 – 2011 Highlights

- Home Heating Energy Burden
- Chart 1: Average Heating Oil Prices (2009 2010, 2010-2011 and 2011 2012)
- Demand for LIHEAP Assistance
- Table 1: Growth in LIHEAP Applications Fiscal Years 2008-2011
- Chart 2: Changes in LIHEAP Applications Fiscal Years 2008-2011

The Impact of LIHEAP Benefits

- Table 2: Average Heating Costs, Average Benefit Paid, and Energy Burden
- Table 3: Heating Assistance (by home heating source)

LIHEAP Eligible Population

- Table 4: LIHEAP Households Served and Available Benefits

Coordination of LIHEAP and Other Existing Resources

- Service Delivery Coordination
- Leveraging of Non-LIHEAP Resources

Past and Current Funding Levels

- Table 5: LIHEAP Federal and State Funding

Recommended Supplemental Funding Levels, Forward Funding and Sources

Appendices

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

Fiscal Year 2011 Legislative Report

This Fiscal Year 2011 Low-income Home Energy Assistance Program (LIHEAP) Legislative Report with recommendations is submitted herein to the Joint Committee on Telecommunications, Utilities, and Energy of the Massachusetts General Court to comply with the reporting requirements outlined in the Chapter 169 of the Acts of 2008, AN ACT RELATIVE TO GREEN COMMUNITIES, SECTION 106, as,

"the department of housing and community development shall make recommendations regarding what supplemental state funds, if any, shall be expended for the federal Low-income Home Energy Assistance Program, under 42 U.S.C. § 8621 et seq., for the purpose of assisting low-income elders, working families and other households with the purchase of heating oil, propane, natural gas, electricity and other primary or secondary heating sources; provided, however, that any recommended expenditures in addition to any federal funding shall be made in accordance with the state plan submitted by the department of housing and community development in accordance with the federal program. The recommendations shall include recommended funding levels and funding sources. The department of housing and community development shall submit its first report on its recommendations to the joint committee on telecommunications, utilities and energy not later than October 1, 2009, and shall file reports annually not later than October 1."

2

Executive Summary

Based on information provided by the U.S Department of Health and Human Services (HHS), National Energy Assistance Directors' Association and the Coalition of Northeast Governors, the Massachusetts Department of Housing and Community Development (DHCD) is projecting a Fiscal Year 2012 scenario in which the Low-Income Home Energy Assistance Program (LIHEAP) may experience a reduction of up to 28% in federal funding compared to the Fiscal Year 2011. To date, Massachusetts has received \$132.67 million in federal LIHEAP funding during the current fiscal year. During Fiscal Year 2011, Massachusetts' proportionate share of LIHEAP allocation was \$183.77 million.

The President's Budget for Fiscal Year 2012 allocated \$1.98 billion for LIHEAP. If enacted as proposed, Massachusetts would have received approximately \$81.749 million or \$102 million less than what it received in the previous fiscal year. On October 28th, HHS released LIHEAP funding to states using the President's Budget as a baseline¹. Massachusetts received \$77,632,313, or approximately 95% of the funds it would have expected to receive under the President's Budget proposal.

At the onset of the federal Fiscal Year 2012, two Continuing Resolutions were passed to temporarily fund the federal government, first through November 18, 2011, and then until December 23, 2011. On December 22, 2011, HHS released an additional \$845 million. As a result, Massachusetts' proportionate share of LIHEAP allocation increased by \$21,877,720, from \$77,632,313 to \$99,510,033. On January 19, 2012, HHS released an additional \$33,169,509 under the Consolidated Appropriation Act of 2012. This final Appropriation Act authorized a national allocation of \$3.47 billion or \$132,679,542 for Massachusetts and funded LIHEAP for the remainder of the federal Fiscal Year 2012.

In its Fiscal Year 2012 LIHEAP State Plan², as approved by the U.S. Department Health and Human Services, Office of Community Services, DHCD set the maximum LIHEAP benefit based on the President's budget at a conservative \$400 per household across all fuel types down from \$1,090 for delivered fuel and \$915 for utilities in Fiscal Year 2011. Due to the anticipated funding reductions and relatively high heating oil prices, DHCD revised its benefit scenario and released a two-tier benefit level on October 28th. The revised benefit scenario allowed delivered fuel and utility households to receive a maximum of \$675 and \$275 respectively to help defray their annual heating costs. Due to the infusion of additional funds in late December 2011 and January 2012, DHCD was able to increase those benefit levels to \$1,025 and \$525 for delivered fuel and utility households respectively.

This two-tier benefit scenario addresses cost differentials between delivered fuels such as heating oil, kerosene or propane and utility heat as well as ensures a minimum delivery of 100 gallons of heating oil to an estimated 62,000 LIHEAP households. Most delivered fuel companies will not make a delivery for less than 100 gallons. Given persistent high caseloads and increasing heating oil prices over the last four heating seasons, any drastic cuts in benefit levels will impact thousands of low and moderate income households.

During each of the last two years, over 240,000 households applied for LIHEAP assistance. Since 2008, the LIHEAP caseload has grown by 40%. There are many reasons for such

¹ HHS released \$1.7 billion to states on 10/28/2011, which is approximately 86% of the President's Budget.

growth - besides a faltering economy. One such factor was DHCD's decision to increase the income eligibility threshold from 200% of the federal poverty level to 60% of Estimated State Median Income (ESMI). This means that a family of four, with income up to \$60,035, for example, is now eligible for LIHEAP.

Increased federal funding may be made available beyond the current anticipated allocation in the form of LIHEAP regular Block grant. LIHEAP application caseloads, home heating price increases, and cold weather may trigger further allocations of federal emergency Contingency funds, which would allow DHCD to further increase its LIHEAP benefit levels.

Recommended Supplemental Funding

LIHEAP is a major federal program. This Administration supports federal funding of the program at its authorized level. We have consistently advocated for full federal funding, which would have brought additional support to the state. The Administration recognizes the importance of LIHEAP as a resource for Massachusetts residents yet at the same time the state is also tasked with balancing fiscal concerns with programmatic priorities.

Based on the current federal Fiscal Year 2012 LIHEAP appropriation and given the current state of the market factors, other recent protections that have strengthened the home energy safety net for low-income residents.

DHCD will continue to evaluate the program needs and may update the committee accordingly and offer further recommendations as conditions warrant.

Forward Funding

DHCD supports a \$10 million state allocation in forward funding for LIHEAP, consistent with the language below, as proposed in the provision of the State Ways and Means Fiscal Year 2012 supplemental budget. It is a revenue-neutral initiative and as stated below, any forward funding amount must be fully reimbursed to from the federal LIHEAP account.

"Low Income Housing Tax Credit Fund

SECTION 55. There shall be established and set up on the books of the commonwealth a fund to be known as the state low income housing tax credit fund. The commissioner of revenue shall serve as the fund's trustee. Funds made available for this fund shall only be used for: (1) the purpose of offsetting General Fund costs associated with the state low income housing tax credit claimed annually by eligible taxpayers in the commonwealth; (2) the purposes of providing advanced funding to the department of housing and community development in an amount not to exceed the fund's balance no later than 30 days after the effective date of this act to eligible entities that administer the federal Low Income Home Energy Assistance Program described in item 7004-2033 to allow said eligible entities to begin startup operations of the federal Low Income Home Energy Assistance Program described in item 7004-2033. Allowable costs for advanced funding may include approved administrative costs consistent with the current year's state plan submitted by the department of housing and community development in accordance with the federal program and assistance to certified households with the purchase of home heating oil, propane and natural

gas and electricity and other primary or secondary heating sources. Any advanced funding must be subject to federal reimbursement of funds described in item 7004-2033 and no funding awarded by the federal government annually under the federal Low Income Energy Assistance Program shall be expended until the fund has been fully reimbursed for any advanced funding made available for startup operations. Advanced funding shall only be made available in any fiscal year by the commissioner to the department upon the written approval of the secretary of administration and finance.

By June 30 of every fiscal year during which this fund is effective, the commissioner shall determine the projected costs to the state of the state low income housing tax credit within the fiscal year and request that the comptroller transfer funding from the fund to the General Fund in an amount not to exceed the projected costs, but no such transfer shall be processed without the written approval of the secretary of administration and finance. The aggregate amount of transferred funds for all fiscal year during which the fund is effective shall not exceed \$10,000,000. The fund shall remain in effect until June 30, 2014."

DHCD will continue to evaluate the program needs throughout the 2011 - 2012 heating season and offer additional recommendations as conditions warrant.

Forecast and Fiscal Year 2012 Outlook

Based on current market data, DHCD is anticipating moderately increased home heating prices in the upcoming 2011 - 2012 heating season. Heating oil prices are expected to rise during the winter months; prices are likely to exceed those experienced in the winter of 2010-2011. According to Energy Information Administration short term outlook, the average heating oil prices are projected to increase by 5.7%, from \$3.74 per gallon in 2010-2011 to \$3.95 in 2011-2012.

In September 2011, the CME Group projected wholesale heating oil futures prices between \$2.71 and \$3.21 per gallon for the winter months³.

At the beginning of the 2011-2012 heating season, the statewide average Margin-Over-Rack (MOR)⁴ or LIHEAP heating oil price was \$3.589 per gallon. According to Heating Oil Price Surveys conducted by the Massachusetts Department of Energy Resources (DOER), the average price of a gallon of heating oil increased to \$3.65 in October 2011 from \$2.90 in October 2010.

Prices for utility heat are expected to remain stable during the upcoming heating season. Based on average heating costs data reported in Fiscal Year 2011, DHCD expects a LIHEAP utility customer to spend between \$1,250 and \$1,300 to heat their home during the 2011-2012 heating season. An oil customer may spend up to \$2,800 in heating bills during the same heating season.

As the Massachusetts unemployment rate continues to decrease, LIHEAP applicant households with unemployment income are not expected to increase at the same rate as it did in the previous two heating seasons. Incidences of heating emergencies are expected to decline due to early certification and due to a DHCD rule of prioritizing households that have no-heat or are unable to restore heat. Since 2008, heating emergency rates have been steadily declining. The number of new applications will most likely remain unchanged from the previous year. However, most of the clients who received LIHEAP in the previous heating season will reapply in 2011-2012 heating season. As of January 31, 2012, over 178,000 or 84% of all served households from the 2010-2011 heating season had reapplied for assistance. Based on historic trends, the Massachusetts LIHEAP is expected to serve close to 210,000 households in the current heating season.

Service Delivery Network

The Division of Community Services (DCS) of DHCD is responsible for planning, implementing, and monitoring the delivery of federal and state anti-poverty, economic development, fuel assistance, and weatherization programs across the Commonwealth, including the Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP is a block grant program funded by the U.S. Department of Health and Human Services (HHS). However from time to time, the Massachusetts General Court authorizes supplemental state funding toward LIHEAP. Historical allocations ranged from \$7.5 million to \$20 million per fiscal year. Fiscal Year 2009 was the last time that the General Court authorized supplemental state funding.

^{3 &}lt; http://www.cmegroup.com/trading/energy/refined-products/heating-oil.html>

⁴ A 40 cents margin is added to average wholesale Rack prices.

LIHEAP is operated through a network of the 22 local sub-grantee agencies, known as Local Administering Agencies (LAAs). Nineteen of the 22 LAAs are non-profit Community Action Agencies (CAA). One of the three remaining LAA's is a department of a city government and two are regional non-profits. LIHEAP operators are required to maintain accessible intake sites, home visit capacity, general publicity, bilingual assistance for applicants, and use of existing networks to reach out to target households.

During Fiscal Year 2012, DHCD will promote the use of its online system to refer clients to other energy and non-home energy related services that are offered by their respective agencies and outside of their service delivery network. This approach is necessary to allow low-income LIHEAP clients who often need a multitude of services to make long term positive changes in their household situations. DHCD's existing partnerships with the Massachusetts Energy Directors Association (MEDA), Massachusetts Association for Community Action (MASSCAP), and Low-income Energy Assistance Network (LEAN) will help maintain and enhance the current level of energy assistance to low-income Massachusetts customers. The program works as a gateway to other energy related services therefore those partnerships are key in maintaining the current level of services to low-income households.

Program Priorities

In response to increasing attention at the federal level in the areas of performance measurement and program integrity, DHCD took several proactive program management steps in Fiscal Year 2011. These include changes in the LIHEAP performance measurement process, data analysis, fraud, waste, and abuse prevention training, vendor authentication process, fraud reporting, and improved monitoring and assessment of the service delivery network. On-going participation at the national level and the local service delivery network's cooperation will further dictate the process in the 2011-2012 heating season.

Program Year 2010-2011 Highlights

Home Heating Energy Burden

Using the Census Bureau's 2011 Current Population Survey, researchers from the Peterson Institute for International Economics⁵ estimated that over one-third of the increase in the U.S poverty rate in 2010 can be attributed to increases in oil prices.

During the past several winter heating seasons, especially between 2007 and early 2011, energy prices were on the rise. The rising cost of heating oil and high utility prices disproportionately affect the low-income population of the Commonwealth. DHCD analysis shows that households with income below 100% of the Federal Poverty Level spend 56% of their income on housing and an additional 8.5% to 10% on home heating bills alone. About 68,000 or 32% of all households served by LIHEAP lived at or below the federal poverty line in 2010 - 2011. As it serves households with an average income of \$21,6006, LIHEAP

⁵ Houser, Trevor and Mohan, Shashank, "Energy Poverty American Style", September 26th, 2011, http://www.piie.com/blogs/?p=2388

⁶ Statewide average income of LIHEAP served households in Fiscal Year 2011.

assistance plays a critical role in *freeing up* income during the winter months for other essential costs for many low-income Massachusetts residents.

DHCD will continue to serve households with income at or below 60% of the estimated State Median Income in Fiscal Year 2012. This will allow LIHEAP-eligible households to receive services under four other major low-income energy initiatives – the heating system repair and replacement program, Weatherization Assistance Program, the Department of Public Utilities (DPU) administered low-income utility discount rates, and the Arrearage Management Programs (AMP). Combined with the DPU's annual utility termination protection, leveraging of private resources, the LIHEAP network will be able to avert any major home energy crisis during the upcoming heating season.

It is estimated that the Massachusetts Fuel Assistance program on average reduced the annual energy burden of program recipient households from 7.8% to 4% in 2010-2011 (see Table 2 on page 10). Propane customers' energy burden was reduced from 12% to 8%. LIHEAP customers who heat their home with Propane reported an average increase of about \$400 in heating costs during the 2010-2011 heating season.

Even though energy prices stabilized at the onset of the 2010-2011 heating season, they continued to escalate during January through April 2011. For example, on November 1, 2010, the average cost of a gallon of heating oil was \$2.97. By March 15, 2011, it had increased by almost a dollar to \$3.90. A LIHEAP household, regardless of fuel type, paid on average \$1,615 toward home heating costs. After paying for basic necessities, such as rent or mortgage and food, these households usually do not have adequate resources left to pay for their heating costs.

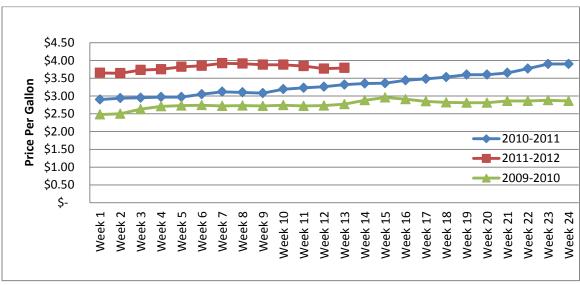


Chart 1: Average Heating Oil Prices (2009-2010, 2010-2011 and 2011-2012)

Source: MA DOER Heating Oil Price Surveys (24-week heating season: October through mid-March)

⁷ "Energy burden can be defined as the share of annual household income that is used to pay annual energy bills", *LIHEAP Energy Burden Evaluation Report*, Applied Public Policy Research, July 2005.

Demand for LIHEAP Assistance

The demand for LIHEAP assistance has reached an unprecedented level. For instance, the total number of households who applied for heating assistance increased from 177,300 in Fiscal Year 2008 to 249,081 in Fiscal Year 2011. In Fiscal Year 2009 DHCD expanded the income eligibility to include those households earning up to 60% of the estimated State Median Income. This past winter, the application caseload increased by 3.8% from the previous heating season.

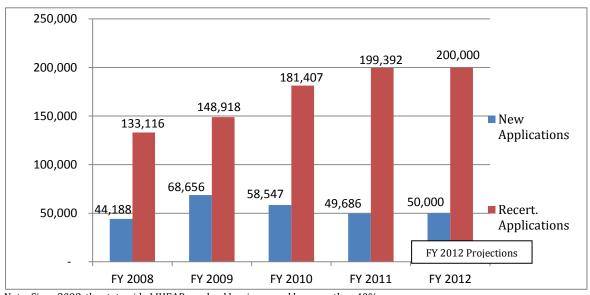
A total of 49,686 households indicated that they were applying for LIHEAP for the first time during the 2010 - 2011 heating season. There has been a decrease in new applicants since 2008 - 2009 but almost all households who received LIHEAP during 2009 - 2010 heating season reapplied in 2010 - 2011.

The following table illustrates trends of LIHEAP applications received through the 22 subgrantee agencies during the last four Fiscal Years.

Table 1: Growth in LIHEAP Applications - Fiscal Years 2008 - 2011

Fiscal Years	Recertified Applications (as % of total)	New Applications (as % of total)	Net Increase (from the previous year)
2011	80%	20%	3.8%
2010	75%	25%	10%
2009	68%	32%	22%
2008	75%	25%	2.3%

Chart 2: Changes in LIHEAP Applications - Fiscal Years 2008 - 2011



Note: Since 2008, the statewide LIHEAP caseload has increased by more than 40%.

The Impact of LIHEAP Benefit

Decreases in federal funding⁸ forced DHCD to reduce the maximum benefit level from \$1,240 for delivered fuel and \$1,055 for utility clients in Fiscal Year 2010 to \$1,090 and \$915 in Fiscal Year 2011 respectively. Heating cost data continues to show a significant difference in prices between delivered fuel such as heating oil or propane and utilities. To offset the cost differences between households who primarily heat their home with delivered fuel and utilities, DHCD has been issuing a two tier benefit level since 2010. This practice will continue in Fiscal Year 2012.

Even though the LIHEAP benefit is based on a matrix in which the benefit gradually decreases as household income increases, in the 2010 - 2011 seasons, the lowest benefit amount was set to purchase more than one tank⁹ of heating oil. The benefit matrix ensures compliance with a federal requirement that households with the lowest income receive the highest possible amount. On average, an eligible household received \$783 in LIHEAP benefit in Fiscal Year 2011 compared to \$802 in Fiscal Year 2010. Delivered fuel households received an average benefit of \$815. A utility heat household's average benefit was \$680. The drop in average benefit can be attributed to corresponding funding cuts from Fiscal Year 2010 to Fiscal Year 2011.

The percentage of a heating bill paid by LIHEAP continues to decline due to rising prices. Furthermore, there is a difference in heating costs reported by oil vendors and what a LIHEAP-assisted household *truly* experience. A heating oil customer in Massachusetts uses about 800 gallons of heating oil. At an average price of \$3.15 per gallon, this translates into \$2,520; which is substantially higher than heating costs reported by LIHEAP customers through their oil vendors. A LIHEAP customer often uses more than one oil vendor. At the same time, oil vendors often do not report data for the entire heating season. This results in an under-estimation of heating costs data.

Furthermore, the cost of heat varies among heating types. For example, in Fiscal Year 2011, on average, a LIHEAP customer paid \$1,251 and \$1,332 for natural gas and electric heat respectively. On the other hand, propane was the most expensive type of home heating source in 2010 - 2011, with an average price being \$2,553 per LIHEAP assisted household. Home heating costs of propane customers increased by 25% from the previous heating season, while prices for natural gas and electricity remained *virtually* unchanged.

LIHEAP expenditures are primarily supported by the federal block grant and emergency contingency funds. During the 2010 - 2011 heating season, propane was the most expensive home heating source in Massachusetts. However, due to the limited number¹⁰ of propane users, the high price did not make a significant impact on the overall energy burden calculation of LIHEAP recipient households. It is evident that during the past heating season, LIHEAP payments reduced the energy burden of oil, natural gas, and electric customers. It is widely accepted that an energy burden (percentage of income paid toward heating costs) of below 6% is considered affordable.

⁸ Funding decreased by 7% in Fiscal Year 2011, compared to Fiscal Year 2010.

⁹ Based on an average LIHEAP heating oil price of \$3.15 per gallon.

¹⁰ See Table 3: Heating Assistance (by home heating source).

Table 2: Average Heating Costs, Average Benefit Paid, and Energy Burden

Heating Type	Average Heating Costs ¹¹	Average Benefit Paid	% of Average Heating Cost Paid by LIHEAP	Energy Burden -heating cost to income ratio (Before LIHEAP)	Energy Burden – heating cost to income ratio (After LIHEAP)	% of Energy Burden Reduced by LIHEAP
Heating Oil	\$1,514	\$835	55%	7%	3%	57%
Natural Gas	\$1,251	\$707	57%	6%	3%	50%
Electricity	\$1,332	\$670	50%	7%	3%	57%
Propane	\$2,553	\$847	33%	12%	8%	33%
Kerosene ¹²	\$1,447	\$854	59%	7%	3%	57%

Note: Energy Burden = average heating cost/statewide average income of \$21,600.

Table 3: Heating Assistance (by home heating source)

LIHEAP Assisted Households	Heating Oil	Natural Gas	Kerosene	Propane	Electricity	All Other ¹³
Percent of households served	29.30%	52.23%	1.20%	2.11%	9.26%	5.90%
Number of households served	61,992	110,523	2,541	4,476	19,596	12,461

LIHEAP Eligible Population

According to a 2009 DHCD analysis, there are about 1,680,000 individuals or 800,000 households in Massachusetts that could potentially be eligible to apply for heating assistance. As poverty data from the 2010 Census is being released, DHCD will further analyze its annual penetration rates, i.e., percentage of income eligible households served by LIHEAP each year.

Not all income eligible Massachusetts residents can receive LIHEAP assistance. For example, low-income tenants living in subsidized housing whose heat is included in rent and pay less than 30% of their income towards rent are not eligible for LIHEAP. Students who live in dormitories or individuals living in a nursing home or homeless shelters are not eligible to apply for LIHEAP assistance as they do not have an energy burden. Many people who are not eligible for LIHEAP receive discounted rates from their utility companies by contacting a fuel assistance agency or their respective utility company. Many public benefit recipients such as Supplemental Nutritional Assistance Program (SNAP) clients are automatically enrolled in the discounted utility rate program (see Coordination of Non-LIHEAP Resources).

During, the past heating season, 249,000 households or about 31.13% of the estimated income eligible¹⁴ Massachusetts households applied for energy assistance. A total of

¹¹ Calculated averages based on heating costs data reported by LIHEAP vendors.

¹³ Includes households who heat their home with wood, corn, wood pellets, and whose rent includes heat, also known as "heat-included" households.

¹⁴ Households whose income is estimated to fall within the LIHEAP maximum income of 60% of SMI.

500,000 low-income individuals from 211,000 households or approximately 26.25% of the estimated income eligible Massachusetts households benefited from ¹⁵ LIHEAP assistance.

Table 4: LIHEAP Households Served and Available Benefits

Income Levels ¹⁶ Federal Poverty Level (FPL)	LIHEAP Served Households (FY 2011)	Percent of Total Households Served (FY 2011)	Percent of Total Households Served (FY 2010)	Average Benefit Received - Homeowners and Non- Subsidized Housing Tenants	Average Benefit Received - Subsidized Housing Tenants
Up to 100% of FPL	68,379	32%	35%	\$897	\$661
101% - 125% of FPL	30,954	15%	15%	\$836	\$623
126% - 150% of FPL	29,360	14%	14%	\$769	\$577
151% - 175% of FPL	25,353	12%	12%	\$703	\$554
176% - 200% of FPL	21,486	10%	10%	\$703	\$554
60% of Median Income	36,148	17%	14%	\$636	\$520
Total Coursed	211 (00	1000/	1000/		

Total Served 211,680 100% 100%

Coordination of LIHEAP and Other Existing Resources

The value of Massachusetts non-LIHEAP leveraging programs is on the rise. Typical non-LIHEAP leveraged resources include donations received from public and private sources, such as investor-owned utility companies, non-profit organizations such as the United Way, private foundations, local banks, and the Massachusetts Association for Community Action (MASSCAP). A few local government entities also provide funds to LIHEAP sub-grantees to offer additional heating assistance to households who exhaust their LIHEAP benefit or are not otherwise eligible for LIHEAP assistance. During the 2007 - 2008, the LIHEAP network leveraged a total of \$85.38 million in non-LIHEAP resources. Leveraging from the same resources however increased significantly to over \$138 million in 2009 – 2010. Although the U.S. HHS-funded Leveraging Incentive Grant program is currently on hold, DHCD expects to receive an increase in its award amount when released.

Those non-LIHEAP resources included:

- Low-income Utility Discount Rates
- Weatherization Leveraging Funds
- United Way Special Fund for Emergency Financial Assistance
- Local Fuel Funds, and
- The Margin-Over-Rack (MOR) oil heat program

 $^{^{\}rm 15}$ With an average \$750 and a maximum benefit of \$1,090 respectively.

¹⁶ See Attachment 1, Fiscal Year 2011 Low-income Home Energy Assistance Program (LIHEAP) Maximum Income and Benefit Levels chart.

The DHCD-administered MOR program allows provider agencies to enroll heating oil vendors to deliver oil to low-income customers at a reduced price. During the 2010 - 2011 heating season, the LIHEAP program delivered 16.38 million gallons of heating oil to 61,992 low-income customers.

All LIHEAP assisted households benefit from the utility discount programs. An average low-income customer saves¹⁷ 29% in their utility bills. As of December 2010, there were 235,153 natural gas and 128,099 electric customers who benefited from the low-income discount rates programs (as reported by the utility companies). In addition to discount utility rates, these companies allocated \$20.90 million to Weatherization leveraging funds benefiting 15,000 households in 2010. More than \$38.28 million was leveraged from utility companies in Fiscal Year 2011. It is estimated¹⁸ that the Utility Low Income Energy Efficiency funding available to the U.S. Department of Energy (DOE) Weatherization Assistance Program Network will be approximately \$45 million in Calendar Year 2012.

Past and Current Funding Levels

The following chart illustrates federal and state funding of LIHEAP for the last three fiscal years and projected federal and state funding levels for fiscal year 2011.

Table 5: LIHEAP Federal and State Funding

Fiscal Year	Total Federal Allocations ¹⁹	Percent changed from the previous year	Total State Appropriation	Percent changed from the previous year	Maximum LIHEAP Benefit	Percent Changed from the previous year
2008	\$126,441,624	33%	\$15,000,000	100%	\$1,165	69%
2009	\$214,196,440	69%	\$10,000,000	-33%	\$1,495	28%
					Delivered Fuel: \$1,240	-17%
2010	\$197,557,683	-8%	\$ 0	-100%	Utilities: \$1,055	-29%
					Delivered Fuel: \$1,090	-12%
2011	\$183,776,315	-7%	\$ 0	0%	Utilities: \$915	-12%
					Delivered Fuel: \$1,025	-6%
2012	\$132,679,54220	-28%	\$0	0%	Utilities: \$525	-43%

The Fiscal Year 2012 LIHEAP State Plan as submitted to U.S. Department of Health and Human Services on August 26, 2011 included an anticipated federal block grant allocation for Massachusetts of \$81,749,000 based on the President's Budget that allocates \$1.98B nationally for LIHEAP. Recent Congressional action increased the LIHEAP allocation to \$3.4B. As of the date of this report, Massachusetts received its total final allocation of

¹⁷ DHCD analysis, based on 2010 utility company reports.

 $^{^{18}\,}$ DHCD Energy Conservation Unit estimates, October 2011.

¹⁹ Includes federal LIHEAP block grant, emergency contingency, and Leveraging allocations for each year.

 $^{^{\}rm 20}\,$ Actual allocation as appropriated under the Consolidated Appropriation Act of 2012.

\$132,679,542 from the U.S. HHS, which is 28% less than what was allocated in Fiscal Year 2011.

Recommended Supplemental Funding Levels, Forward Funding, and Sources

Recommended Supplemental Funding

LIHEAP is a major federal program. This Administration supports federal funding of the program at its authorized level. We have consistently advocated for full federal funding, which would have brought additional support to the state. The Administration recognizes the importance of LIHEAP as a resource for Massachusetts residents yet at the same time the state is also tasked with balancing fiscal concerns with programmatic priorities.

Based on the current federal Fiscal Year 2012 LIHEAP appropriation and given the current state of the market factors, other recent protections that have strengthened the home energy safety net for low-income residents.

DHCD will continue to evaluate the program needs and may update the committee accordingly and offer further recommendations as conditions warrant.

Forward Funding

DHCD supports \$10 million state allocation in forward funding for LIHEAP, consistent with the language below, as proposed in the provision of the State Ways and Means Fiscal Year 2012 supplemental budget. It is a revenue-neutral initiative and as stated below, any forward funding amount must be fully reimbursed to from the federal LIHEAP account.

"Low Income Housing Tax Credit Fund

SECTION 55. There shall be established and set up on the books of the commonwealth a fund to be known as the state low income housing tax credit fund. The commissioner of revenue shall serve as the fund's trustee. Funds made available for this fund shall only be used for: (1) the purpose of offsetting General Fund costs associated with the state low income housing tax credit claimed annually by eligible taxpayers in the commonwealth; (2) the purposes of providing advanced funding to the department of housing and community development in an amount not to exceed the fund's balance no later than 30 days after the effective date of this act to eligible entities that administer the federal Low Income Home Energy Assistance Program described in item 7004-2033 to allow said eligible entities to begin startup operations of the federal Low Income Home Energy Assistance Program described in item 7004-2033. Allowable costs for advanced funding may include approved administrative costs consistent with the current year's state plan submitted by the department of housing and community development in accordance with the federal program and assistance to certified households with the purchase of home heating oil, propane and natural gas and electricity and other primary or secondary heating sources. Any advanced funding must be subject to federal reimbursement of funds described in item 7004-2033 and no funding awarded by the federal government annually under the federal Low Income Energy Assistance Program shall be expended until the fund has been fully reimbursed for any advanced funding made available for startup operations. Advanced funding shall only be made available in any fiscal year by the commissioner to the department upon the written approval of the secretary of administration and finance.

By June 30 of every fiscal year during which this fund is effective, the commissioner shall determine the projected costs to the state of the state low income housing tax credit within the fiscal year and request that the comptroller transfer funding from the fund to the General Fund in an amount not to exceed the projected costs, but no such transfer shall be processed without the written approval of the secretary of administration and finance. The aggregate amount of transferred funds for all fiscal year during which the fund is effective shall not exceed \$10,000,000. The fund shall remain in effect until June 30, 2014."

The purpose of the advance or forward funding is to provide support for the service delivery network for the start-up activities that routinely take place each year before the beginning of the heating season on November 1st and prior to the State's receipt of federal LIHEAP funds. Those start-up activities include but are not limited to processing of recertified applications, outreach to potential clients, and recalling of laid-off staff. As outlined in the above language, all advanced State funds for program operation would be reimbursed once Federal funds are received.

DHCD will continue to evaluate the program needs throughout the 2011 - 2012 heating season and offer additional recommendations as conditions warrant.

15

Appendices

Fiscal Year 2012 Maximum Income and Benefit Levels (current benefit levels as of January, 2012 http://www.mass.gov/hed/docs/dhcd/cd/liheap/chart.pdf

Fiscal Year 2011 Maximum Income and Benefit Levels http://www.mass.gov/hed/docs/dhcd/cd/liheap/fy2011liheapbenefitchart.pdf

Fiscal Year 2011 LIHEAP Household Served (Map)